Death Tax: When I am home in California, I get many questions about legislation relating to the Death Tax. As many of you know, the Death Tax currently kicks in at a 45% rate for estates over $3.5 million. But under current law, the tax will go away on January 1st, 2010 for 1 year. Then, it comes back on January 1st, 2011 at a 55% rate for estates over $1 million.

This strange vacillation in the tax and the exemption has occurred in order to comply with arcane House rules calling for no increase in the deficit more than 10 years out from when the reduction in the death tax was passed. Obviously, the idea that the tax would go away and then come back 12 months later at its highest level in a decade is ridiculous public policy. There is universal agreement that this has to be changed.

But that's where the agreement ends. Most Republicans, including this one, believe that the tax should be permanently eliminated. This wealth has already been taxed at least once when it was earned. Furthermore, this is a very inefficient tax. The direct costs of collection are actually over 50% of the tax collected. And many studies show that the government actually loses revenue on a net basis from this tax due to actions taken to reduce the values of estates and avoid the tax. The tax, therefore, has become more of a punitive measure to eliminate wealth accumulation rather than a legitimate revenue source. In spite of these undisputed facts, virtually all Democrats either want the tax retained or increased. But they are unable to agree amongst themselves as to what those rates and exemptions should be. Because of the paralysis over socialized medicine in the nation's capital right now, they are not even currently trying to resolve those differences. The range of future rates and exemptions that have been discussed involve an exemption of $3.5-5 million and rates between 40% and 55%, with all that perhaps indexed to inflation. But there are no details anywhere.

So, the most likely outcome is that sometime before the end of the year, Congress will enact a one or two year extension of the current (2009) rates and exemptions to kick the can down the road a bit until a more permanent solution can be debated. Democrats, particularly from farm states, do not want to vote for anything short of full elimination of the tax close to an election. So, I expect that no permanent solution will be enacted until after November of 2010.

Financial Regulation: As I have repeated many times in this missive, the near collapse of the worldwide financial system a year ago was real and very scary. I don't ever want to look that in the face again. So, I support quite a number of changes to our financial regulatory system including disclosure and clearing of derivatives trading, approval of some financial products, and a systemic regulatory system that eliminates the "too big to fail" phenomenon by requiring more financial strength and oversight of such institutions and a structure under which such institutions can fail without jeopardizing the system. I thought that I and other like minded Republicans would be engaged in discussions on how best to do this with Democrats on our Financial Services Committee. This really is not a partisan issue. It is more about functionality.

But hold the presses. Welcome to the Obama Administration. Some promising early discussions were halted when the Obama administration decided that they wanted to move these bills sharply to the left. Now, the pattern with this administration is to make sure that every policy contains so much that is anathema to Republicans and moderate Democrats, that there is no chance of bipartisan support. They have done this on spending, taxes, health care, energy policy, foreign policy, and now financial regulation. Any pretense that this president is anything but the most liberal president ever is gone. For example, much of what he is doing in financial regulation is intended to create a bunch more federal union jobs in a new bureaucracy because the union that represents them wants to grow. Just as with the stimulus, Pelosi and the Obama administration are exploiting the economic crisis to accomplish their ideological goals rather than taking action to fix it and prevent another one. This is about more power and money to Democrats, from more public sector jobs, and fewer private sector ones. The only limit on his leftward drift is that there are many Democrats don't like what he is doing.

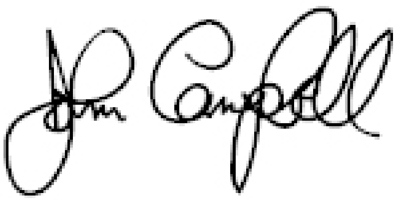
So, the financial regulation that will likely pass the House will reach too far and will likely stifle credit, set up huge new expensive bureaucracies, create more frivolous litigation, move more trading oversees, and it will kill more private sector jobs. I will not support that.

Health Care Factoid: Speaking of unions, it has been interesting to watch so many of them come out in opposition of the Senate/Baucus health care plan. Why? Because it taxes so-called "Cadillac health plans" that have lots of coverage. Most of these plans are in union-negotiated contracts. So, most teachers, firefighters, cops, auto workers, etc. have "Cadillac plans" and would be taxed under this proposal. Here's one time the unions and I agree. Don't we want as many people as possible to have the best health coverage possible, particularly with no taxpayer money involved? You tax something when you want less of it. But it will be hard to get many people into the government-run plan if there are far better alternatives out there. This is just another of the many stupid elements of the socialized medicine bills that Pelosi/Reid/Obama are determined to shove down our throats.

Another of my bills: As a CPA, I have been required to take 40 hours per year of "continuing education" classes. A few years ago, I took an 8 hour class on IRAs. I remember thinking, how can they spend 8 hours on just Individual Retirement Accounts? After the class was over, the teacher pointed out how 8 hours was not nearly enough to cover this subject. I wholeheartedly agreed. That's ridiculous. Social Security is actuarially bankrupt and many government and private pension plans are in deep trouble. So why do we put up so many barriers allowing people to save as much of their OWN MONEY on a pretax basis as they want?

To fix this, I introduced Save More For Your OWN Retirement Act, which would allow anyone to put away up to 100% of their income in a retirement account in any year. That's it. No caveats and no restrictions. The only thing is that there is a big penalty if you pull the money out before you retire. With all the clouds on the horizon for baby boomers (oh yeah, that's me!) this is the least we can do. You will hear more about this bill as an alternative when Obama starts to raise your taxes to pay for other people's retirement in the next year or so.

I remain respectfully,



Congressman John Campbell
Member of Congress